

State of Idaho

Legislative Services Office

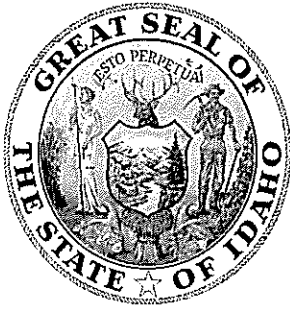
Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

PANHANDLE HEALTH DISTRICT (I) FY 2010

Report OP95110
Date Issued: December 12, 2011

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

PANHANDLE HEALTH DISTRICT (I)

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of the Panhandle Health District (I) for the fiscal year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that the District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report.

AGENCY RESPONSE

The District has reviewed this report and is in general agreement with its contents.

PRIOR FINDINGS AND RECOMMENDATIONS

The prior report for fiscal years 2008 and 2009 had two findings and recommendations.

Finding 2009F-1 – Internal control weaknesses exist in the process for preparing the Schedule of Expenditures of Federal Awards (SEFA).

Finding 2009F-2 – Payment approval and eligibility to provide services for the Senior Companion Program are not properly documented.

The complete prior findings and recommendations are detailed on page 27.

OTHER ISSUES

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, the Panhandle Health District (I), and the District's Board, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Lora Whalen, and her staff.

ASSIGNED STAFF

Lori Hendon, CPA, Managing Auditor

Patrick Aggers, CPA, CFE, Managing Auditor

Kathleen Watkins, CPA, CFE, In-Charge Auditor

Brinton Croff, CPA, Staff Auditor

Kyle Wilmot, Staff Auditor

TABLE OF CONTENTS

Independent Auditor's Report – Unqualified Opinion on Basic Financial Statements.....	1
---	---

Basic Financial Statements

Statement of Net Assets – Cash Basis	3
Statement of Activities – Cash Basis.....	4
Statement of Cash Assets and Fund Balances – Governmental Funds.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	6
Notes to Financial Statements.....	7

Required Supplementary Information

Schedule of Cash Receipts and Disbursements – Budget to Actual.....	15
Note to Required Supplementary Information.....	16

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
---	----

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB <i>Circular A-133</i>	19
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Schedule of Expenditures of Federal Awards.....	21
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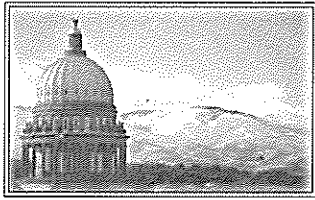
Notes to Schedule of Expenditures of Federal Awards	24
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Schedule of Findings and Questioned Costs.....	25
--	----

Agency Response.....	26
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Prior Findings and Recommendations	27
--	----

Appendix.....	28
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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 12, 2011

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Lora Whalen, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Whalen and Mr. Thompson:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Panhandle Health District (I), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the cash basis financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, major fund, and the remaining fund information of the District as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

As discussed in Notes 2 and 8, the District changed its financial statement presentation from the accrual basis of accounting to the cash basis of accounting in fiscal year 2010.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager **01**
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

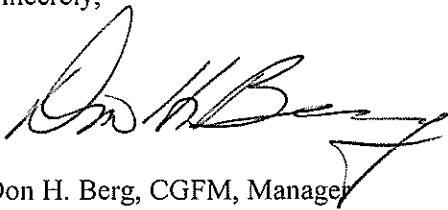
The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 15 is not a required part of the basic financial statements, but is supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB *Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF NET ASSETS - CASH BASIS
AS OF JUNE 30, 2010

	June 30, 2010 Governmental Activities
ASSETS	
Cash & Cash Equivalents	<u>\$1,707,488</u>
NET ASSETS	
Unrestricted	<u>\$1,707,488</u>
TOTAL NET ASSETS	<u><u>\$1,707,488</u></u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PROGRAMS	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Balance
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration/General Support	\$2,509,532	\$5,270		(\$2,504,262)
Administration Programs	1,592,128	23,358	1,628,681	59,911
Environmental Health	1,982,347	782,422	849,669	(350,256)
Family & Community Health	3,227,646	697,381	2,127,007	(403,258)
Home Health	2,255,333	1,932,501	326,451	3,619
Total Governmental Activities	<u>\$11,566,986</u>	<u>\$3,440,932</u>	<u>\$4,931,808</u>	<u>(\$3,194,246)</u>
General Receipts:				
		State General Receipts		\$1,167,200
		County Receipts		1,074,099
		Interest Receipts		7,933
		Total General Receipts		<u>\$2,249,232</u>
		Change in Net Assets		(\$945,014)
		Beginning Net Assets - (As Restated)		<u>2,652,502</u>
		Ending Net Assets		<u><u>\$1,707,488</u></u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I)
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	Special Revenue Fund	Millennium Fund	Total Governmental Funds
CASH RECEIPTS			
Licenses, Permits, Fees	\$779,502	\$0	\$779,502
Health Services	2,562,891	35,300	2,598,191
Federal Grants	4,270,289	0	4,270,289
State Grants	57,382	0	57,382
City/County Grants	1,678,236	0	1,678,236
Interest	7,933	0	7,933
Rent, Other	1,560	0	1,560
Donations, Miscellaneous	61,679	0	61,679
General Fund Support	1,167,200	0	1,167,200
Total Cash Receipts	<u>\$10,586,672</u>	<u>\$35,300</u>	<u>\$10,621,972</u>
CASH DISBURSEMENTS			
Administration/General Support	\$2,509,532	\$0	\$2,509,532
Administration Programs	1,592,128	0	1,592,128
Environmental Health	1,982,347	0	1,982,347
Family and Community Health	3,192,346	35,300	3,227,646
Home Health	2,255,333	0	2,255,333
Total Cash Disbursements	<u>\$11,531,686</u>	<u>\$35,300</u>	<u>\$11,566,986</u>
Excess of Receipts Over (Under) Disbursements			
- Net Change in Cash Balance	(\$945,014)	\$0	(\$945,014)
Beginning Cash Basis Fund Balance, As Restated	2,652,502	0	2,652,502
Ended Cash Basis Fund Balance	<u>\$1,707,488</u>	<u>\$0</u>	<u>\$1,707,488</u>

The accompanying notes are an integral part of the financial statements.

STATE OF IDAHO
 PANHANDLE HEALTH DISTRICT (I)
 STATEMENT OF CASH ASSETS AND FUND BALANCES -
 GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	<u>June 30, 2010</u>
	Special Revenue Fund
ASSETS	
Cash and Cash Equivalents	<u>\$1,707,488</u>
Total Assets	<u><u>\$1,707,488</u></u>
FUND BALANCE	
Unreserved	<u>\$1,707,488</u>
Total Cash Basis Fund Balance	<u><u>\$1,707,488</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

The Panhandle Health District is not a State agency. In determining how to define the District for financial reporting purposes, management has considered all potential component units in accordance with GASB *Statement 14* as amended by GASB *Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

The District encompasses the counties of Benewah, Bonner, Boundary, Kootenai, and Shoshone. It is governed by a seven-member Board of Health with representation from each county in the District. The District has facilities in each of these counties in the cities of St. Maries, Sandpoint, Bonners Ferry, Hayden, and Kellogg.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beginning in fiscal year 2010, the District elected to change its financial statement presentation from the accrual basis of accounting to cash basis, or an *Other Comprehensive Basis of Accounting (OCBOA)*. The cash basis of accounting, while an acceptable basis of accounting under SAS 62, differs from Generally Accepted Accounting Principles (GAAP) widely recognized in the United States. Governmental Accounting Standards Board (GASB) pronouncements have been applied to the extent applicable to the cash basis of accounting. See Note 8 for the effect of the change in accounting principle.

A. Government-Wide Financial Statements

The government-wide financial statements (e.g. the *Statement of Net Assets – Cash Basis* and the *Statement of Activities – Cash Basis*) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program receipts.

The *Statement of Net Asset – Cash Basis* presents the District's cash and cash equivalent balances of the governmental activities at year end. The *Statement of Activities – Cash Basis* reports on a cash basis the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable within a specific function. Program receipts include fees and charges paid by recipients for goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program receipts are reported as general receipts. Immaterial differences in the statements are due to rounding.

In the government-wide *Statement of Activities*, receipts and disbursements are segregated by activity and then by function. Additionally, receipts are classified as program or general receipts. Program receipts are recognized when cash is received and include grants, contributions, and receipts for services provided. General receipts include General Fund appropriation receipts, county contributions, and interest received.

B. Fund Financial Statements

The District accounts for certain functions or activities in separate funds in order to assist with financial reporting and to comply with legislative requirements. Fund financial statements are prepared on a cash basis with a focus on major funds. Each major fund is presented in its own column. Non-major funds are presented in a separate, aggregated column.

Functions of the District are financed through governmental funds. The District has one major governmental fund. The General Fund accounts for all financial resources of the District, except those required to be accounted for in the Millennium Fund.

In the governmental fund financial statements, receipts are reported by source and disbursements are reported by function.

C. Basis of Accounting

The cash basis of accounting is applied in preparing the District's financial statements. Receipts are recorded in the general ledger, and reported in the financial statements when cash is received, rather than when revenue is earned. Disbursements are recorded in the general ledger and reported in the financial statements when cash is paid, rather than when a liability is incurred.

Some assets and related revenues, along with some liabilities and related expenses, are not recorded in these financial statements. The cash basis of accounting precludes the inclusion of certain accounts and related revenue and expense items in the financial statements. Items not included are accounts receivable, accounts payable, revenue earned not collected, expenses accrued for goods and services not paid, and accrued liabilities and related expenses.

D. Assets, Liabilities, And Net Assets

Cash and Cash Equivalents

The State Treasurer is the custodian of the District's cash and investments. The District's primary governmental fund includes cash and investments. These are both considered cash on hand and are both on deposit with the State Treasurer's Office.

Cash equivalents are reported at book value. Additional disclosure is identified in Note 3.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Compensated Absences

The District, as a separate political subdivision, has elected to follow State rules on compensated absences. Accrued leave balances such as vacation and overtime are paid as cash payments to employees upon termination. Consistent with cash basis accounting, compensated absences earned are not reflected as a liability in the accompanying financial statements.

Pension Plan

The District participates in a pension plan, further described in Note 4. The District recognizes the employer contribution to the plan when paid. Note 4 further details employer/employee contributions and benefits of the plan.

Fund Balance Restrictions

The District restricts any portion of fund balances when limitations on their use change the nature or normal understanding of their use. Such constraints are externally imposed by creditors, contributors, grantors, or laws of other governments. Unrestricted fund balance indicates that portion of fund balance which is available for appropriation in future periods.

NOTE 3. CASH AND CASH EQUIVALENTS

The District participates in the State Treasurer's internal and external investment pools. The IDLE fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Sections 67-1210 and 67-1210A. Participation in the pool is involuntary.

The District also participates in the Local Government Investment Pool (LGIP). This external investment pool is sponsored by the State Treasurer's Office. In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in this pool.

The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10 million. Withdrawals of more than \$10 million require three business days notification. The LGIP distributes earnings monthly to the participants, based on their average daily balance as a percentage of the total pool. Idaho Code restricts the State Treasurer to certain types of investments.

The State Treasurer's Office discloses certain risks that may be associated with their deposits and investments. Disclosures are made for the following required risk disclosures:

Interest rate risk occurs when investments are fixed for longer periods. The State Treasurer's Office does not have a formally adopted policy to address interest rate risk. The weighted average maturity is 69 days.

Credit risk associated with investments is the risk that an issuer of debt securities or counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The LGIP does not have a formally adopted policy to address credit risk associated with investments.

During 2010, the State Treasurer elected to drop the ratings service for the external investment pool. The fund is unrated.

The District has no formal investment policy to mitigate credit risk or interest rate risk.

The following schedule represents the District's investments at book value in the external investment pool at June 30, 2010:

Investments at Book Value	June 30, 2010
Local Government Investment Pool	\$1,510,903
Total	\$1,510,903

Additional information, including the investment pools financial statements, is provided in the State's *Comprehensive Annual Financial Report (CAFR)*, which is available from the Office of the State Controller or its website at www.sco.idaho.gov.

NOTE 4. PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI) was created by the Idaho State Legislature and administers the PERSI Base Plan and the defined contribution retirement plans. The PERSI Base Plan is a cost sharing, multiple-employer defined benefit retirement plan requiring that both the member and the employer contribute. Participation is mandatory for State employees who normally work 20 or more hours a week for five or more consecutive months. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. The legislation provides for other political subdivisions to participate by contractual agreement with PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website at www.persi.idaho.gov

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. For the years ended June 30, 2008, 2009, and 2010, District contributions required and paid were \$556,044, \$513,818, and \$498,926, respectively.

The PERSI Choice Plan is a defined contribution retirement plan. The defined contribution plan includes the 401(k) and the 414(k). Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. The assets of the 401(k) and the 414(k) are commingled for investment and record keeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Participants in the 401(k) plan can make tax deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period. For the audit period no voluntary employer matching contributions have been made.

NOTE 5. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The District participates in other post-employment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. Idaho Code, Sections 67-5760 to 67-5767 and Section 72-1335, establish the benefits and contribution obligations. Each of these benefits is provided by the District to retired or disabled employees. GASB *Statement 45* has been implemented prospectively, and the net OPEB obligation at transition was zero. The most recent actuarial valuation is as of June 30, 2008. The District has not set aside any assets to pay future benefits; the District funds these benefits on a pay-as-you-go basis. Individual plan details can be found in the State of the statewide CAFR available from the State Controller's Office or its website www.sco.idaho.gov.

Plan Descriptions and Funding Policy

Retiree Healthcare Plan – A retired officer or employee of the District who is eligible to retire under PERSI may elect to purchase retiree health insurance coverage for themselves and eligible dependents. District employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited State service. An officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service. Retirees eligible for medical health insurance pay the majority of the premium cost. The maximum benefit is \$1,860 per retiree per year. The District contributed \$16.44 per active non-retired employee per month towards the retiree premium cost. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents.

Long-Term Disability Plan – Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met.

This plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of benefits has been effectively transferred. The District pays 100 percent of the cost of the premiums. The District's contribution rate for the period was 0.324 percent of payroll in fiscal year 2010. This portion of the long-term disability income benefit is not included in the actuarial estimate.

This plan provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses, and a \$1,000 life insurance benefit is provided for dependent children. These benefits

do not increase with inflation. The District pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

For up to 30 months following the date of disability, an employee is entitled to continue health care coverage under the State plan. The District pays 100 percent of the District's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The District's contribution for the period was \$7.61 per active employee per month in fiscal year 2010.

NOTE 6. OPERATING LEASES

Operating leases are leases for which the District will not gain title to the asset. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded when paid or incurred. The District's total operating lease disbursements for fiscal year 2010 were \$79,349.

The District has future minimum lease commitments for non-cancelable operating leases, which under the cash basis of accounting are recognized when paid.

NOTE 7. CAPITAL LEASES

Capital leases are leases the District has entered into that are, in substance, a purchase. The District's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

In July 2005, the District completed \$4,300,000 in financing for the new headquarters building in Hayden. The financing was arranged through the Idaho Health Facilities Authority and funded by Sterling Savings Bank. The financing is a capital lease for 25 years with purchase for \$1.00 at the end of the lease term. The original interest rate was set at 3.80% for the first five years and reset every five years. In August 2010 the interest rate was reset to 1.52%. The remaining principal balance at June 30, 2010 was \$3,857,545.

In May 2008, the District completed \$1,000,000 in financing for a new building in St. Maries. The financing was arranged through the Panhandle Area Council and funded by US Bank. The financing was a capital lease for 20 years with purchase for \$1.00 at the end of the lease term. The interest rate was set at 6.09% for the first five years to reset every five years. In early 2010, the District opted to pay off the entire balance of this capital lease. Total principal payments on this lease in fiscal year 2010 were \$972,274.

The District's total capital lease disbursements for fiscal year 2010 were \$1,338,833.

NOTE 8. CHANGE IN ACCOUNTING PRINCIPLE

Change of Accounting Principle

The District elected to present financial statements on a cash basis beginning with the fiscal year ending June 30, 2010. Formerly these statements were prepared using the full and modified accrual basis in accordance with GAAP. The change in accounting principle to cash basis required restatement of certain beginning account balances listed in the financial statements. Following is a schedule of changes implementing cash basis accounting.

Government-Wide Statements (which use full accrual)

Total assets were restated by \$10,806,493, as follows:

	<u>Original Amount</u>	<u>As Restated</u>	<u>Difference</u>
Interagency Receivables	\$620,181	\$0	\$620,181
Accounts Receivable	748,757	0	748,757
Cash Equivalents	2,653,653	2,652,502	1,151
Net Capital Assets	9,436,404	0	9,436,404
Total	<u>\$13,458,995</u>	<u>\$2,652,502</u>	<u>\$10,806,493</u>

Total liabilities were restated by \$6,073,219, as follows:

	<u>Original Amount</u>	<u>As Restated</u>	<u>Difference</u>
Accounts Payable	\$151,976	\$0	\$151,976
Accrued Payroll	326,382	0	326,382
Compensated Absences	364,520	0	364,520
Deferred Revenue	281,189	0	281,189
Capital Lease	4,949,152	0	4,949,152
Total	<u>\$6,073,219</u>	<u>\$0</u>	<u>\$6,073,219</u>

Net Effect	<u><u>\$4,733,274</u></u>
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The net effect of these restatements on the closed beginning balance of net assets for June 30, 2009 was a decrease of \$4,733,274.

Fund Financial Statements (which use modified accrual)

Total assets were restated by \$1,153,134, as follows:

	<u>Original Amount</u>	<u>As Restated</u>	<u>Difference</u>
Interagency Receivables	\$620,181	\$0	\$620,181
Accounts Receivable	531,802	0	531,802
Cash Equivalents	2,653,653	2,652,502	1,151
Total	<u>\$3,805,636</u>	<u>\$2,652,502</u>	<u>\$1,153,134</u>

Total liabilities were restated by \$759,547, as follows:

	<u>Original Amount</u>	<u>As Restated</u>	<u>Difference</u>
Accounts Payable	\$151,976	\$0	\$151,976
Accrued Payroll	326,382	0	326,382
Deferred Revenue	281,189	0	281,189
Total	<u>\$759,547</u>	<u>\$0</u>	<u>\$759,547</u>

Net Effect	<u><u>\$393,587</u></u>
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The net effect of these restatements on the closed beginning fund balance for June 30, 2009 was a decrease of \$393,587.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees. Accordingly, the District belongs to the State of Idaho Risk Management and Group Insurance internal service funds, available to all State entities. Risk Management provides property and general liability risk coverage for its members. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence, property damage claims up to \$250,000 per occurrence annually, and physical damage to covered vehicles at actual cash value. The District also participates in the Idaho State Insurance Fund, which purchases commercial insurance for claims not self-insured by the above coverage and for other identified risks of loss, including workers' compensation insurance. Details of the Risk Management and Group Insurance coverage can be found in the statewide *CAFR*.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
PANHANDLE PUBLIC HEALTH DISTRICT (I)
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
RECEIPTS				
State	\$1,262,700	\$1,184,200	\$1,167,200	(\$17,000)
County	1,071,100	1,071,100	1,074,099	2,999
Contracts	4,189,900	5,109,700	4,931,808	(177,892)
Fees	3,610,300	3,610,300	3,377,693	(232,607)
Interest	50,000	10,000	6,940	(3,060)
Rent, Other	0	0	1,560	1,560
Donations, Miscellaneous	52,000	52,000	62,672	10,672
Reserve	26,600	966,300	0	(966,300)
Total Receipts	<u>\$10,262,600</u>	<u>\$12,003,600</u>	<u>\$10,621,972</u>	<u>(\$1,381,628)</u>
DISBURSEMENTS				
Personnel	\$7,134,700	\$7,606,400	\$7,163,746	\$442,654
Operating	2,464,400	2,607,200	2,464,557	142,643
Capital	97,800	171,000	250,264	(79,264)
Trustee Benefits	210,000	297,000	349,586	(52,586)
Debt Service				
Principal Retirement	145,100	1,093,900	1,089,462	4,438
Interest	210,600	228,100	249,371	(21,271)
Total Cash Disbursements	<u>\$10,262,600</u>	<u>\$12,003,600</u>	<u>\$11,566,986</u>	<u>\$436,614</u>

The accompanying notes are an integral part of this financial schedule.

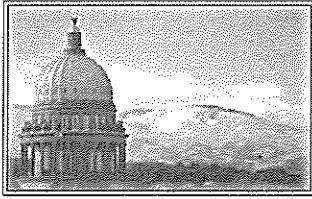
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. SIGNIFICANT TRANSACTIONS

The District Board of Health revised the fiscal year 2010 budget upward by \$1,741,000. There were two major items in the revisions. The debt service budget was increased by \$966,300 to pay off one of the District's two capital leases. Contracts revenue and the associated expenditures were increased \$809,000 for the H1N1 flu outbreak response. See Note 7 for information on the payoff of a capital lease.

NOTE 2. REQUIRED SUPPLEMENTARY INFORMATION

The chairmen of the boards of county commissioners located within the District serve as the Budget Committee for the District. The District Board of Health will submit the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District shall be approved by a majority of the Budget Committee. Any adjustments of the budget are approved by the Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 12, 2011

Independent Auditor's Report on Internal Control over
Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Lora Whalen, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Whalen and Mr. Thompson:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of the Panhandle Health District (I) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

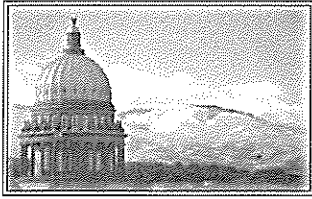
We noted certain other matters that we have reported to the District's management in a separate letter.

This report is intended solely for the information and use of the State of Idaho, the Panhandle Health District (I), and the District I Board of Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 12, 2011

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133

Lora Whalen, Director
Panhandle Health District (I)
8500 N. Atlas Road
Hayden, ID 83835

Marlow Thompson, Chair
District I Board of Health
160 S. Fork Hagerman Creek Road
Tensed, ID 83870

Dear Ms. Whalen and Mr. Thompson:

Compliance

We have audited the compliance of Panhandle Health District (I) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

19 Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Internal Control Over Compliance

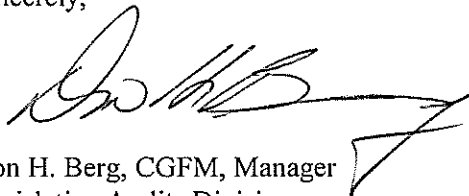
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Idaho Legislature, the management of the Panhandle Health District (I), the federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a long horizontal stroke extending to the right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I) -
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL CONTRACT NUMBER	PASS- THROUGH ENTITIES*	CONTRACT PERIOD	CONTRACT AMOUNT	FEDERAL EXPENDITURES FY 2010
U.S. DEPARTMENT OF AGRICULTURE						
W.I.C.	10.557	HC626000	1	10/1/08 - 9/30/09	\$758,856	\$207,887
W.I.C.	10.557	HC658400	1	10/1/09 - 9/30/10		598,415
10.557 Total						\$806,302
TOTAL U.S. DEPARTMENT OF AGRICULTURE						\$806,302
ENVIRONMENTAL PROTECTION AGENCY						
Public Water Supplies	66.432	S314	3	7/1/09 - 6/30/11	104,973	\$104,973
66.432 Total						\$104,973
ICP Operations in the CDA Basin	66.802	C614	3	3/15/07 - 6/30/10	841,440	\$136,620
Bunker Hill Community Relations	66.802	C297	3	7/1/03 - 6/30/10	389,000	32,777
Trailer Park Remediation	66.802	C385	3	7/1/04 - 8/1/09	33,028	3,031
66.802 Total						\$172,428
TOTAL ENVIRONMENTAL PROTECTION AGENCY						\$277,401
DEPARTMENT OF HEALTH & HUMAN SERVICES						
PHER - Pandemic Influenza Contract (H1N1)	93.069	HC660200	1	9/15/09 - 7/30/10	926,774	\$817,566
PHER - Pandemic Influenza Contract - EPI (H1N1)	93.069	HC664300	1	9/18/09 - 7/30/10	19,250	8,929
Public Health Prep (PHP BT CDC)	93.069	HC611900	1	8/10/08 - 8/9/09	297,982	36,994
Public Health Prep (PHP BT CDC)	93.069	HC649700	1	8/10/09 - 8/9/10	285,421	243,349
Public Health Emergency Prep (PHEP)	93.069	HC615400	1	8/10/08 - 8/9/09	129,600	13,541
Public Health Emergency Prep (PHEP)	93.069	HC648500	1	8/10/09 - 8/9/10	128,396	101,106
93.069 Total						\$1,221,485
Hospital Preparedness Contract (ASPR VII Funded)	93.889	HC612500	1	8/9/08 - 8/8/09	324,156	\$17,080
Hospital Preparedness Contract (ASPR VIII Funded)	93.889	HC649600	1	8/9/09 - 6/30/10	278,417	244,702
Pandemic Influenza Healthcare Preparedness (H1N1)	93.889	HC660300	1	9/15/09 - 7/30/10	58,388	58,388
93.889 Total						\$320,170
Tuberculosis Control	93.116	HC631400	1	1/1/09 - 12/31/09	7,482	\$1,742
Tuberculosis Control	93.116	HC674900	1	1/1/10 - 12/31/10	6,130	1,800
93.116 Total						\$3,542
Family Planning Title X	93.217	HC645900	1	6/30/09 - 6/29/10	168,573	\$168,573
93.217 Total						\$168,573
Adolescent Pregnancy Prevention (APP)	93.235	HC666000	1	10/1/09 - 6/30/10	15,000	\$15,000
93.235 Total						\$15,000
Asthma Coalition	93.283	HC583500	1	9/1/07 - 8/31/09	28,000	\$378
NEDSS	93.283	HC637500	1	4/1/09 - 12/31/09	13,833	\$13,262
NEDSS	93.283	HC673200	1	1/1/10 - 12/31/10	11,710	11,624

The accompanying notes are an integral part of this financial schedule.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (I) -
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL CONTRACT NUMBER	PASS- THROUGH ENTITIES*	CONTRACT PERIOD	CONTRACT AMOUNT	FEDERAL EXPENDITURES FY 2010
Tobacco Prevention	93.283	HC635300	1	3/30/09 - 3/29/11	\$67,538	\$33,035
West Nile Virus Surveillance	93.283	HC639400	1	5/15/09 - 12/31/09	3,850	1,980
Comprehensive Cancer Control	93.283	HC603900	1	6/30/08 - 6/29/10	35,550	16,779
Women's Health Check	93.283	HC644000	1	6/30/09 - 6/29/10	106,888	106,888
93.283 Total						\$183,946
Immunization Reminder	93.558	HC646900	1	7/1/09 - 6/30/10	48,621	\$38,109
93.558 Total						\$38,109
Day Care Site Visits	93.575	WC055800	1	7/1/06 - 6/30/10	728,192	\$74,907
Child Care Resource Center	93.575	EDK057-SB-01	4	7/1/08 - 6/30/09	297,854	153,039
Child Care	93.575	WCO65400-D1	1	4/1/10 - 6/30/11	Variable	16,625
93.575 Total						\$244,571
Child Find	93.778	1C078900	1	7/1/06 - 6/30/10	153,000	\$39,500
93.778 Total						\$39,500
HIV Surveillance	93.944	HC630700	1	1/1/09 - 12/31/09	3,500	\$2,507
HIV Surveillance	93.944	HC674000	1	1/1/10 - 12/31/10	3,500	2,079
93.944 Total						\$4,586
HIV/STD Control	93.940	HC633600	1	1/1/09 - 12/31/09	31,776	\$13,478
HIV/STD Control	93.940	HC676400	1	1/1/10 - 12/31/10	59,642	14,128
93.940 Total						\$27,606
HIV/STD Control	93.977	HC633600	1	1/1/09 - 12/31/09	29,056	\$16,388
HIV/STD Control	93.977	HC676400	1	1/1/10 - 12/31/10	59,642	15,438
93.977 Total						\$31,826
Diabetes	93.988	HC636500	1	3/30/09 - 3/29/10	18,650	\$13,188
Diabetes	93.988	HC679500	1	4/1/10 - 3/31/11	18,000	5,215
93.988 Total						\$18,403
Injury Prevention	93.991	HC622500	1	10/1/08 - 9/30/09	84,000	\$20,790
Injury Prevention	93.991	HC657800	1	10/1/09 - 9/30/10	69,000	59,997
93.991 Total						\$80,787
C.S.H.P.	93.994	HC612000	1	10/1/08 - 9/30/12	42,000	\$10,500
Epidemiology	93.994	HC659500	1	10/1/09 - 9/30/10	22,248	22,248
Family Planning MCH	93.994	HC665200	1	10/1/09 - 9/30/10	101,675	101,675

The accompanying notes are an integral part of this financial schedule.

STATE OF IDAHO
PANHANDLE HEALTH DISTRICT (1) -
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL CONTRACT NUMBER	PASS- THROUGH ENTITIES*	CONTRACT PERIOD	CONTRACT AMOUNT	FEDERAL EXPENDITURES FY 2010
Oral Health	93.994	HC643100	1	7/1/09 - 6/30/10	\$31,021	\$31,021
Perinatal Hep B	93.994	HC638300	1	4/1/09 - 12/31/09	3,500	2,300
Perinatal Hep B	93.994	HC675600	1	1/10/10 - 12/31/10	2,538	2,200
93.994 Total						<u>\$169,944</u>
Project Life	93.048	HC641100	1	6/1/09 - 5/31/10	73,800	\$72,785
93.048 Total						<u>\$72,785</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES						<u>\$2,640,833</u>
CORPORATION FOR NATIONAL SERVICE						
Senior Companion	94.016	09SCPID001	2	1/1/09 - 12/31/09	271,942	\$125,843
Senior Companion	94.016	09SCPID001	2	1/1/10 - 12/31/10	276,021	181,511
94.016 Total						<u>\$307,354</u>
TOTAL FOR CORPORATION FOR NATIONAL SERVICE						<u>\$307,354</u>
TOTAL CASH EXPENDITURES						<u>\$4,031,890</u>
WIC Food Vouchers	10.577		1			\$2,955,370
Value of Contraceptives	93.217		1			114,653
TOTAL NON-CASH EXPENDITURES						<u>\$3,070,023</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS						<u>\$7,101,913</u>

*LEGEND:

- 1 = Idaho Department of Health and Welfare
- 2 = Direct Award - Corporation for National and Community Service
- 3 = Idaho Department of Environmental Quality
- 4 = University of Idaho
- 5 = Corporation for National and Community Service

The accompanying notes are an integral part of this financial schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments, and Non Profits Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed, by ".999."

NOTE 2. WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants, and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal year 2010 was \$2,955,369.71.

NOTE 3. VALUE OF CONTRACEPTIVES

The District provides contraceptives on a sliding fee scale to eligible clients of the federally-funded Reproductive Health Clinic. The Idaho Department of Health and Welfare purchases the contraceptives and supplies them to the District as needed. The contraceptives' value supplied by the Idaho Health and Welfare Department in fiscal year 2010 was \$114,653.39.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements did not disclose a significant deficiency that was considered a material weakness.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of OMB *Circular A-133*.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC	10.557
Public Health Emergency Preparedness	93.069
Hospital Preparedness	93.889
Senior Companion Program	94.016

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Panhandle Health District (I) did not qualify as a low-risk auditee as defined by OMB *Circular A-133*.

SECTION II. FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

NONE

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

AGENCY RESPONSE



Public Health
Prevent Promote Protect

Panhandle Health District

Panhandle Health District

Healthy People in Healthy Communities

8500 N Atlas Road
Hayden, Idaho 83835
208-415-5100
www.phdl.idaho.gov

January 12, 2012

Mr. Don Berg
Legislative Services Office

Statehouse
PO Box 83720
Boise, Idaho 83720-0054

Dear Mr. Berg:

We are providing this response in connection with your audit of the financial statements of Public Health District 1, aka, Panhandle Health District, as of fiscal year ending June 30, 2010. We are pleased that the audit report has no findings and that all prior findings have been corrected. We will continue our diligence to ensure our reporting is accurate and our internal controls are working as designed.

We appreciate the professionalism of your staff in the conduct of the audit and the advice they have given our office. We look forward to working with your office on the next audit.

Sincerely,

Lora Blodgett-Whalen, Director

PRIOR FINDINGS AND RECOMMENDATIONS

The prior report covered the fiscal years ended June 30, 2008 and 2009, and included two findings and recommendations. The following explains the status of these findings and recommendations.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PRIOR FINDING 2009F-1

Internal Control weaknesses exist in the process for preparing the *Schedule of Expenditures of Federal Awards (SEFA)*.

We recommended that the District review internal controls over the *SEFA* preparation and strengthen the process to ensure the *SEFA* is accurate and complete.

The District has improved internal controls over the SEFA as determined in the FY 2010 audit.

STATUS – CLOSED

PRIOR FINDING 2009F-2

Payment approval and eligibility to provide services for the Senior Companion Program are not properly documented.

We recommended that the District ensure all payments for the Senior Companion Program are properly authorized and procedures to review the national sex offender registry are followed and documented in the senior companion files.

The District no longer pays senior companion stipends or travel claims without the signature of the program director or the division director. The District also reviews the sex offender registry for all companions and maintains documentation of this review in each companion's file.

STATUS – CLOSED

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

- 1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.
- 1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.
- 1970 – The legislature established a law that created seven mandatory public health districts. In the Panhandle Health District (I), the counties designated were Benewah, Bonner, Boundary, Kootenai, and Shoshone. The director of the State Department of Health and Welfare was designated fiscal officer for the various districts.
- 1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.
- 1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.
- 1993 – The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.
- 2004 – The Rules of the Division of Human Resources and Idaho Personnel Commission include public health districts.
- 2007 – Legislation changing Idaho Code, Section 39-412 to reflect a change in the compensation of Board members, to reference Idaho Code, Section 59-509(I)
- 2007 – Legislation changing Idaho Code, Section 39-411 composition of Districts' Boards of Health to allow those Districts comprised of eight counties to consist of not less than eight members and no more than nine members.
- 2008 – Legislation changing Idaho Code, Section 39-414 to change the language "For purposes of this chapter, a Public Health District is not a subdivision of the state and is considered an independent body corporate and politic, in terms of negotiating long term debt financing."

PURPOSE

The District provides basic health services as set forth in Idaho Code, including public health education, physical health, environmental health, public health administration, and all things required for the preservation and protection of the public health and preventive health.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a seven-member board appointed by the county commissioners of the counties served. Board members serve staggered five-year terms, and are reimbursed \$75 per working day, plus all necessary travel expenses. The board appoints a director to administer and manage the day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into four major divisions:

1. Administration – Provides day-to-day managerial guidance for the District as well as administrative, personnel, fiscal, and maintenance for all divisions, sections, and satellite facilities throughout the District.
2. Family and Community Health – Provides services such as immunizations, family planning, tuberculosis, sexually transmitted disease control, epidemiology, school health, adult and children health services, and general preventive health services. This division also provides health promotion services such the Women, Infants, and Children (WIC) nutrition program, Millennium Fund tobacco cessation, and various other population-based programs that promote healthy lifestyles.
3. Environmental Health/Public Health Preparedness/ Information Technology – Provides control over various types of waste, water supplies, pollution, and food protection; prepares and organizes response plans for potential bioterrorism or weapons of mass destruction events; provides services in the Child Care Resource Center (CCRC), plans and operates the computer systems.
4. Home Health – Provides skilled nursing and senior companion services to patients confined to their homes.

The District has a central office in Hayden and satellite offices in Bonners Ferry, St. Maries, Sandpoint, and Kellogg. An organizational chart is included.

STAFFING

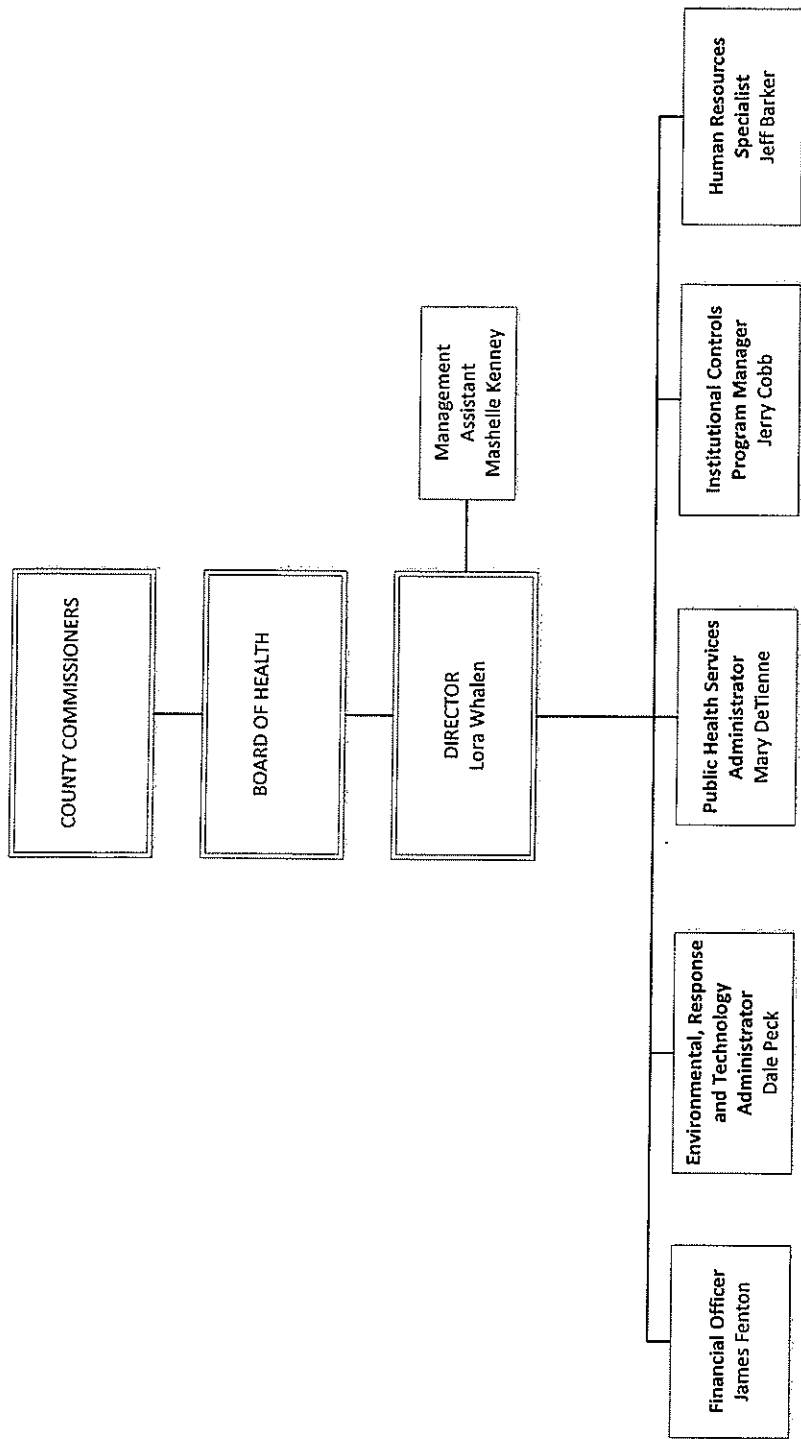
In June 2010, the District's payroll consisted of 116.5 full-time equivalents. One full-time equivalent equals 2,080 hours per year.

FUNDING

The financing for the District comes from: county contributions; General Fund appropriations; federal, State, and private contracts; and fees, donations, and charges to recipients of services.

The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The Idaho Legislature sets one General Fund Appropriation for the State's seven public districts. The appropriation is allocated among the districts according to a formula with the following weights and factors: 20% population (3 yr. average); 10% poverty rate (3 yr. average); 60% county contribution; 10% public assistance numbers. The General Fund appropriation received may be more or less than the amount requested.

The county contribution is determined by Idaho Code, Section 39-424. The total contribution is allocated among the counties according to a formula with the following weights and factors: 70% population; 30% taxable market value.



Lora Whalen

April 15, 2011

District Director Signature

Date